



WRITTEN TESTIMONY

**JAMES W. STANWAY
SENIOR DIRECTOR
GLOBAL SUPPLIER INITIATIVES
WAL-MART STORES, INC.
BENTONVILLE, ARKANSAS**

**"EMERGING TECHNOLOGIES AND PRACTICES FOR REDUCING
GREENHOUSE GAS EMISSIONS"**

**BEFORE THE UNITED STATES SENATE
COMMITTEE ON ENVIRONMENT & PUBLIC WORKS
SUBCOMMITTEE ON PRIVATE SECTOR AND CONSUMER SOLUTIONS TO
GLOBAL WARMING AND WILDLIFE PROTECTION**

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Chairman Lieberman, Ranking Member Warner, and distinguished Members of the Committee:

Wal-Mart Stores, Inc., thanks the Subcommittee for its work on this important issue and for holding this hearing today. Wal-Mart appreciates the opportunity to participate in this critical discussion.

BACKGROUND

Wal-Mart is based in Bentonville, Arkansas. Our company employs approximately 1.3 million Associates from all 50 states and approximately 1.8 million Associates worldwide. Each week over 176 million customers worldwide choose to shop at Wal-Mart, which we feel reflects the success of our dedication to providing Every Day Low Prices to our customers. Wal-Mart does not just operate stores, clubs, and distribution centers in communities; we take a proactive stance in community involvement on a number of issues.

PURPOSE OF HEARING AND WAL-MART'S ROLE

As we understand it, the purpose of today's hearing is to discuss emerging technologies and practices for reducing greenhouse gas emissions. As the largest retail company in the world, the largest private consumer of electricity in the United States, and the owner of one of the largest private heavy-duty truck fleets in the

country, Wal-Mart takes a keen interest in the serious risks - and opportunities - of global climate change. More than two years ago our CEO Lee Scott announced that Wal-Mart would make "sustainability" an organizing principle for the company. In recognizing that climate change is among the greatest issues confronting our business, our customers, and our communities, he announced three goals for our company: to be supplied 100 percent by renewable energy; to create zero waste; and to sell products that sustain our resources and the environment. Since that time we have acted rapidly to become a cleaner, greener and more sustainable company.

A crucial part of reaching the company's environmental goals is reducing our impact on the world's climate. Wal-Mart already has taken steps to mitigate its greenhouse gas emissions and we are dedicated to making significant further progress. Among other things, we are committed to investing approximately \$500 million annually in sustainable technologies and innovations; reducing greenhouse gas emissions at our existing stores, Sam's Clubs and distribution centers by 20% over the next five years; designing and opening a viable prototype that is 25-30% more efficient and will use 30% less energy; and improving our vehicle fleet's efficiency by 25% in three years and 100% in ten years. Just this Monday, we announced a major purchase of solar power from three solar power providers for 22 combined Wal-Mart stores, Sam's Clubs and a distribution center in California and Hawaii. When fully implemented, the aggregate purchase could be one of the country's, if not the world's, top-10 largest ever solar power initiatives.

This past January we announced our support of the effort by the companies and organizations of the U.S. Climate Action Partnership (US-CAP), and endorsed the group's call for strong mandatory national policies and market-based programs for greenhouse gas reductions. Wal-Mart looks forward to working with Congress and the White House to enact meaningful legislation to slow, stop and reverse the growth of greenhouse gas emissions. To be clear, we take this position because we believe it is in the best interest of our customers, our employees, our stockholders and our nation to tackle this challenge. But we also believe that with the right policies, businesses large and small - from Wal-Mart, to our suppliers, to small businesses across the country - can save. We believe this because of what we are seeing every day as we undertake our aggressive sustainability agenda.

In this testimony, we will address four subjects today: (1) how Wal-Mart has succeeded in mitigating its own carbon footprint and how that has added savings to our customers; (2) the successes we have had working with our suppliers to increase efficiency and reduce emissions; (3) how we are helping small businesses and consumers save money by reducing their own carbon footprint; and (4) the elements of any federal climate legislation that we think are needed to achieve the greatest greenhouse gas reductions for the lowest cost while ensuring benefits for customers.

OUR OWN EFFORTS

The goals we have adopted for reducing energy consumption in our stores and our vehicle fleet are ambitious. However, with the remarkable innovation and

dedication of our associates and our partners, we have found these changes to be not only achievable, but cost effective, and we are ahead of our own aggressive schedule.

- With regard to our goal of a 25% improvement in our vehicle fleet efficiency, we are ahead of schedule. Wal-Mart has installed auxiliary power units (APUs) on its trucks as part of our fuel conservation policy. For individual trucks, we have achieved 28% improvement over our base 2005 truck/trailer (that improvement consists of fuel additives, aerodynamic improvements to the truck/trailer, weight reduction, fuel efficient tire application, and APUs). We have over half of that improvement installed on all 7,200 trucks (8% from APU, 2% from additives, 6% from tires). The use of the APUs alone saves 10 million gallons of diesel fuel and prevents 100,000 metric tons of CO₂ from entering the atmosphere.
- We have developed over the last decade what might be the most efficient lighting system in the world. We have implemented daylight harvesting, computer controlled continuous dimming, T8 lighting and other efficiency technologies in 1,000 stores. We vary light output on our sales floor from 100% to 0% (completely off on bright sunny days) and reduce late night light levels (35%). In fact, our installed lighting load is more than 40% less than the baseline established in the Energy Policy Act of 2005 and our retrofits have resulted in a 15-20% reduction in our energy load and a savings to the Company of about \$90 million per year.
- Within only fifteen months, we have developed and opened two new prototype stores that are more than 20% more efficient than our existing stores. These stores will form the model for future construction.
- The EER rating of our High Efficiency HVAC units ranges between 10.8 and 13.2, versus the industry standard of 9.0. Units are 4-17% more efficient than California's Title 24 standard requirements.
- We now utilize LED lighting in all of our internally illuminated building signage for new construction (except Sam's Clubs) and are replacing existing signs with LEDs. These changes represent a 70% increase in efficiency.
- We recently opened a new facility in Savannah, Georgia, which included what was at the time the first low temperature CO₂ secondary loop refrigeration system in the United States. On the day of the grand opening we conducted tours of the facility, including detailed descriptions of the systems, to representatives from our competitors Target, Food Lion, Publix, and Costco.
- In 2006 we committed to examine the packaging of every product we sell, and have encouraged our suppliers to reduce packaging and to use reusable or recyclable materials. February 1, 2007 we made our "packaging scorecard" available to all 60,000 suppliers. We will improve that scorecard between now

and February 1, 2008, when it will become a factor in merchandise buying decisions.

- Wal-Mart has adopted its Plastic Sandwich Bale™ program in over 3,000 stores, a process that greatly increases the recycling of packaging plastics. In 2005, the company recycled over 5,734 tons of plastic significantly saving energy and reducing greenhouse gases.
- In 2005 Sam's Club partnered with NatureWorks to introduce use of PLA fresh cut produce packaging to replace conventional packaging, saving the equivalent of 800,000 gallons of gasoline and reducing more than 11 million lbs. of greenhouse gases.
- Centralized Energy Management - All US stores are monitored and controlled from our home office in Bentonville. This allows us to dial down energy usage, for example, in the event of a load crisis such as the one we saw in California several years ago.
- Wal-Mart Supercenters and Neighborhood Markets (over 2,000) capture waste heat from refrigeration equipment to heat water for the kitchen prep areas of the stores, saving 165 million BTUs per year.

WORKING WITH OUR SUPPLIERS

The bottom line is that we are dramatically improving our greenhouse gas footprint. These savings help us to fulfill our commitment to our customers to provide them with low prices. And our successes within Wal-Mart have led to an aggressive program to work with our suppliers to wring more efficiency and emissions reductions from the supply chain. Through "Wal-Mart *Energy*", we offer an energy efficiency program that can significantly lower our suppliers' energy costs. We arrange for a survey of our suppliers' facilities and suggest improvements based on technologies Wal-Mart is already using. We then use our existing supplier relationships and bid management expertise to arrange the lowest-cost services for the supplier. Wal-Mart's supply chain is dispersed across all 50 states; small companies and large are already seeing great success.

As an example, our first partner in this program was a manufacturer of children's clothes and underwear in Georgia called Dana Undies. Like many U.S. companies, Dana Undies was facing challenges competing on price with competitors and pointed to energy costs for much of the problem. Wal-Mart engineers went to the 65,000 square foot Dana facility in Georgia and suggested a number of operational and capital improvements in the areas of lighting and cooling. The result was a 52% decrease in energy costs. As Dana Undies CEO Steve Varon has said, the technology to achieve significant energy reductions exist today, *"All you need is the will and a great partner like Wal-Mart."*

WORKING WITH SMALL BUSINESSES AND HELPING CUSTOMERS SAVE ENERGY

Because of our buying power and size, we are able to invest in energy efficiency in a cost effective manner. For small businesses and consumers, there are often challenges to taking advantage of these opportunities and we are working to address those. In our energy related business efforts, we are looking to address two key challenges: the upfront costs of clean energy technologies and inadequate channels to market.

While the payback for many of these technologies is short, small businesses and consumers often are turned off by the upfront costs and complexity. Below are two examples of how we are addressing this.

- *18 Seconds.* Wal-Mart has launched a nationwide campaign to sell 100 million compact fluorescent light bulbs (CFLs). Our partner GE sells CFLs to Wal-Mart in large numbers and we offer them to consumers. Here is where we are doing what we do best - offering products at everyday low prices - and we are making the CFL more affordable to consumers, as well as helping educate them on the benefits of this available technology. We are dedicating prime display space for CFLs, adding educational displays, educating our sales associates and creating friendly competition among stores based on CFL sales. We have already seen sales go from less than 5% to 15%.
- *Energy Efficiency for Small Businesses.* Last month, our Sam's Clubs in Phoenix, Arizona test marketed a lighting retrofit program designed for small business owners. Selling through a market channel such as Sam's, direct buying the technology and adopting a community based marketing approach, we hope to deliver prices that enable small businesses to make investments in energy efficiency, reduce their operating expenses and reduce greenhouse gas emissions. Hughes Performance, a small manufacturer of transmissions for dragsters and race cars in Phoenix was our first customer. After working with our program CEO Jim Hughes said, *"The program was great because as a small business owner you get so caught up in the daily activities of running a company that this kind of improvement doesn't even cross your mind. I didn't realize how much small efficiencies could add up and improve my bottom line. Now I expect to save on my electric bill each month, and as a small business owner, every bit helps."*

Our small business program is also meant to overcome the challenge of getting efficiency technologies to market. Many traditional Energy Service Companies focus on large corporations, since the transaction costs of pursuing smaller entities prohibit downstream sales. Utilities have also undertaken to market energy efficiency but sometimes operate in a regulated environment that discourages such efforts and they often have a limited relationship or brand with their customer base. Non-traditional energy efficiency providers can greatly reduce these marketing and sales costs. We are proving this model.

DESIGNING A REGULATORY PROGRAM TO HELP CONSUMERS AND SMALL BUSINESSES

We believe we have shown that energy savings and emissions reductions can be achieved in ways that will benefit companies and consumers of all shapes, sizes and incomes. Clearly, however, a properly designed regulatory framework could help considerably.

In a greenhouse gas regulatory regime, the value of energy savings will include both the savings in the cost of energy and the value of the greenhouse gas emissions avoided. A properly designed system will enable a market where real carbon reductions have a value and this value could be monetized and passed back to those customers by using the products' "carbon value" to rollback the technology price. Companies like Wal-Mart are in an excellent position to add that value into the product delivery and value chain and use the competitive pressures of the market to pass that value on to consumers in the form of reduced costs. We believe that making that carbon value available downstream will increase efficiency and speed to market. As with any business sector, the more economic opportunity, the more market entrants, the more innovation and an acceleration of products to market occurs. A regulatory regime that creates a robust carbon market can drive innovation - both in technological and marketing fields - which U.S. companies could excel at in both domestic and global markets.

A market-based approach under a cap and trade system that allows downstream actors to monetize carbon value offers opportunities for businesses like Wal-Mart to innovate and deliver more value to customers. The utility sector will require many years to decarbonize its electricity production, but that does not mean other sectors of the economy - such as the end user - cannot economically reduce consumption and effectively "buy time" for the new low or no carbon electricity sources to be built. We urge the Congress to recognize the type of progress that we have already begun to make by including a mechanism - such as a carbon credit set-aside program - that would allow more players to "mine" the value of energy efficiency. The result will be more emissions reductions, more energy efficiency and more savings to all.

CONCLUSION

At Wal-Mart, we are known for saving our customers money, and we have been successful because we innovate our way to savings. We believe that the challenge of global warming presents just another opportunity for innovation and the creation of value. We support Congress' efforts to craft climate legislation because we believe - and we have shown - that reducing emissions and saving energy will be profitable and that the benefits can be shared by all.

Thank you for your time in allowing me to speak on behalf of Wal-Mart on this very important topic. We look forward to working with you to effectively and constructively address these issues.